

Message Text

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ACTION EB-08

INFO OCT-01 AF-08 ISO-00 AGRE-00 ARA-10 EA-09 NEA-10 L-03
H-02 ITC-01 AID-05 CIAE-00 COME-00 FRB-01 INR-07
NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02 LAB-04
SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01 /123 W
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P 111150Z MAR 77
FM AMEMBASSY ADDIS ABABA
TO SECSTATE WASHDC PRIORITY 3052
INFO AMEMBASSY BRAZILIA
AMEMBASSY NAIROBI

UNCLAS ADDIS ABABA 1450

NAIROBI FOR AGATT

E.O. 11652: N/A
TAGS: ETRD, EAGR, ET
SUBJECT: COFFEE EXPORT TAXES - ETHIOPIA

REF: A. STATE 051537, B. 76 ADDIS ABABA 12260

1. EXCHANGE CONTROL OFFICE OF NATIONAL BANK OF ETHIOPIA REPORTS THAT NO COFFEE EXPORT SALES WERE OFFICIALLY RECORDED ON MARCH 1. SALES RECORDED CLOSEST TO THAT DATE WERE ON MARCH 3 AT F.O.B. ASSAB PRICES OF \$2.75 US DOLLARS PER POUND TO US BUYERS AND 2.78 US DOLLARS PER POUND TO EUROPEAN BUYERS. EUROPEANS HAVE TRADITIONALLY PAID A HIGHER PRICE FOR ETHIOPIAN COFFEE AS THEY DEAL IN SMALL QUANTITIES AND PURCHASE SPECIFIC GRADES WHILE US BUYERS TREAT ALL ETHIOPIAN COFFEE AS "JIMMA" BRAND. GOVERNMENT EXPORT TAX FOR PERIOD FEB 19 - MARCH 19 IS 553 BIRR PER 100 KILOGRAMS (2698 US DOLLARS PER METRIC TON OR 1.23 US DOLLARS PER POUND).

2. EXPORT SURTAX IS CALCULATED ON BASIS OF BRAZILIAN SANTOS IV (NEW YORK) AS A REFERENCE PRICE. FOR THE PAST THIRTEEN UNCLASSIFIED

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YEARS SURTAX HAS BEEN COMPUTED EVERY TWENTY-EIGHT DAYS ON THE AVERAGE OF THE FOUR PREVIOUS WEEKLY CLOSING NEW YORK PRICES OF SANTOS IV. HISTORICALLY, THE ACTUAL "JIMMA" PRICE HAS BEEN A FEW CENTS BELOW THE NEW YROK SANTOS PRICE. HOWEVER, LOCAL COFFEE EXPORTERS ARE CONCERNED OVER THE RECENT ABRUPT INCREASE IN THE PRICE OF SANTOS IV. ON MARCH 9, WHEN ETHIOPIAN COFFEE WAS BEING SOLD FOR APPROXIMATELY 2.90 US DOLLARS PER LB F.O.B.

DJIBOUTI TO US BUYERS AND 3.00 TO JAPANESE AND EUROPEANS, THE SANTOS IV PRICE IN NEW YORK WAS 3.61 US DOLLARS. LOCAL EXPORTERS EXPECT THAT AS A RESULT OF THE SHARP INCREASE IN THE SANTOS IV PRICE, THE ETHIOPIAN SURTAX WHEN NEXT CALCULATED ON MARCH 19 WILL RISE TO OVER 800 BIRR PER 100 KILOGRAMS (3902 US DOLLARS PER M.T. OR 1.77 US DOLLARS PER POUND), A 45 PERCENT INCREASE.

3. WHILE COFFEE EXPORTERS HAVE LONG URGED THE ETHIOPIAN GOVERNMENT TO BASE THE EXPORT SURTAX ON ACTUAL EXPORT PRICES FOR JIMMA COFFEE, THE GOVERNMENT HAS MAINTAINED SANTOS IV AS THE REFERENCE PRICE AND REAFFIRMED THIS POLICY IN THE LATEST REVISION OF THE SURTAX SYSTEM IN NOVEMBER 1976 (SEE REF B). THE INITIAL EFFECT OF THE SURTAX INCREASE WILL BE TO INCREASE THE GOVERNMENT'S SHARE OF THE COFFEE EARNINGS AND DECREASE THE FARMERS' SHARE WITH NO IMPACT ON WORLD COFFEE PRICES. THE REACTION OF COFFEE FARMERS TO A DECREASE IN THEIR EARNINGS COULD BE TO WITHHOLD COFFEE.

4. TWO LEADING COFFEE EXPORTERS TOLD EMBOFF THAT SIGNIFICANTLY LESS ETHIOPIAN COFFEE IS LIKELY TO GO TO THE US DURING THE CURRENT COFFEE YEAR THAN HAS BEEN THE CASE IN THE PAST AS AMERICAN BUYERS ARE BEING OUTBID BY EUROPEAN AND JAPANESE BUYERS. ONE BUYER SAID THAT HE HISTORICALLY SOLD 60 TO 70 PERCENT OF HIS COFFEE TO THE US. THIS YEAR ONLY 31 PERCENT OF HIS EXPORTS SO FAR HAVE GONE TO THE US. HE HAS NOT SOLD ANY COFFEE TO US BUYERS SINCE FEB. 16 AS US BIDDERS ARE NOT MEETING THE COMPETITION.

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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
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